

Top Ten Efficiency Review Accomplishments

Reported as of August 2006

Prepared by the Governor's Office of Efficiency Review

Since the inception of Efficiency Review (ER), and initiative established by Governor Napolitano in 2003, the State of Arizona has been able to realize savings in a number of different areas. State agencies have been participating in Efficiency Review by implementing projects that have resulted in these savings. The Governor's Office of Efficiency Review has identified the top ER projects as listed below by agency:

1. Arizona Department of Administration (ADOA) - Hiring Gateway, VIP
2. Arizona Department of Corrections (ADC) – Inmate Call Centers
3. Arizona Department of Economic Security (ADES) – Family Foster Care Recruitment
4. Arizona Department of Health Services (ADHS) - Arizona Genealogy Website
5. Arizona Department of Housing (ADOH) – Customer Service Consolidation
6. Arizona Department of Insurance (ADOI) - Paper Licensing
7. Arizona Department of Juvenile Corrections (ADJC) – Videoconferencing
8. Arizona Department of Public Safety (ADPS) – “Tan Days”, Contact Tracking System
9. Arizona Department of Real Estate (ADRE) – “Traffic Ticket”
10. Arizona Department of Revenue (ADOR) - Plain Talk, E-File
11. Arizona Department of Transportation (ADOT) - Bond Refinancing, Arizona Highways
12. Arizona Health Care Cost Containment System (AHCCCS) - Outpatient Methodology, 340B
13. Arizona State Parks – Volunteers, Staff Use of State Parks

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Administration (ADOA)

Hiring Gateway

ADOA has successfully completed the implementation of the State's first paperless recruiting and hiring system. Hiring Gateway reduces costs and eliminates duplication by automating the entire hiring process from the creation of the hiring requisition to the filling of the position. Full roll-out of the program was completed October 2005. Reductions in time have been realized in all areas; routing of requisitions, posting jobs, time to fill positions, and finalizing the hiring process. Other efficiencies include:

- Lower fees than a conventional print ad in a newspaper,
- Greater exposure than a conventional print ad in a newspaper,
- A direct link to our state website for resume submittal,
- Acknowledgement estimated at 98%, that job seekers will go to the internet versus the newspaper next time they look for employment, and
- Reduction of bureaucracy by providing a single statewide job board for applicants to seek Arizona State government employment.

Savings: \$1.9 million

Methodology: Staff Productivity.

Redeployment: Not provided.

Value in Procurement (VIP)

The Value in Procurement Program (VIP) has focused on the implementation of strategic sourcing for the entire State enterprise to better leverage the State's purchasing power since January 2005. VIP also focuses on the use of "environmentally friendly" products and contracting with small, minority, and women owned businesses. Awards to these types of businesses has increased from 44% to now 63% of awards being awarded to them, which is an increase of 19%. The primary VIP goal was to achieve a savings of \$136.2 million through FY 2010. Other efficiencies include:

- Increased usage of small/minority/woman owned businesses,
- Improved contracting and usage of set-aside providers,
- Reduction in the number of individual contracts,
- Improved coordination of procurement among all state agencies,
- Distribution of statewide contracting to the large state agencies as Strategic Contracting Centers,
- Implementation of new procurement classifications for Strategic Contracting Centers and salary increases of 5%, and
- Development of a cooperative certification program

Savings: \$128.6 million (Savings reported here are a projection of savings to date, which leaves \$7.6 million to reach the goal of \$136.2 million)

Methodology: Not Provided.

Redeployment: The savings from VIP have been re-deployed within the agencies based upon their programmatic priorities.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Commerce (ADOC)

Energy Savings

On July 1, 2006 the Department of Commerce submitted the annual State Agency Energy Usage Report to the President of the Senate and the Speaker of the House. Commerce is required to annually collect information from the state agencies and state universities to track their progress towards meeting the 10% reduction mandate by 2008. This is a summary of the *third* annual report. Overall, agencies have made progress toward meeting the 10% reduction.

Highlights of the report include:

- The Department of Emergency and Military Affairs reported energy consumption at 31% lower than the FY 2001-2002 baseline period.
- The University of Arizona reports their energy usage is down 6.5% from the baseline.
- ADOA was awarded Energy Star Building labels from the US EPA for the ADOA, ADEQ, and the ADHS office buildings. All three of these buildings were constructed under the Privatized Lease to Own methodology known as PLTO.

Savings: \$5.8 million

Methodology: Dollar savings reported by state agencies and state universities.

Redeployment: Savings from this initiative are used to absorb the increasing costs of ongoing state operations (i.e., lease increases and health and dental increases).

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Corrections (ADC)

MVD Call Center

Inmates are expected to acquire job skills and work habits necessary to successfully re-enter society throughout their incarceration by attending school and earning a high school equivalency diploma, completing “real world” jobs training, and then working full-time in prison. The MVD Call Center operated jointly by the Department’s Arizona Correctional Industries (ACI) and the Arizona Department of Transportation Motor Vehicles Division (MVD) at two Arizona State Prison Complexes, Perryville (60 inmates) and Tucson (23 inmates), is one work programs that yields savings to taxpayers while preparing prisoners for re-entry. Carefully selected and well trained inmates are assigned full-time to MVD call centers to answer first level inbound calls from citizens with general questions about MVD. MVD staff monitor these calls for quality assurance. With the support of ADC, MVD is able to provide an increased level of public service that it would otherwise be unable to deliver with current funding and staffing levels issues.

ADC is pursuing expansion of its Call Centers to other state agencies. To date, there have been follow-up conversations with nine departments, of which, four are considering incorporating inmate-staffed call centers in their long-term planning. Development of a working agreement with one agency is in progress, subject to funding.

Savings: \$2.1 million

Methodology: Over the past four fiscal years, inmate call center workers have logged over 525,473 hours. Assuming conservatively that MVD employed and paid 83 MVD workers minimum wage to perform these duties, MVD enjoys a cost avoidance of \$4.05 per hour per inmate [\$5.15/hour (minimum wage) minus \$1.10 hour (actual inmate average hourly wage of 65¢ + 45¢ ACI general contract administration cost, including wages)].

Redeployment: Savings from this initiative are used to absorb the increasing costs of ongoing state operations (i.e., lease increases and health and dental increases).

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Economic Security (ADES)

Family Foster Care Recruitment

Through the use of specific strategies begun in September 2003 and expanded in subsequent years, DES has increased its recruitment of foster homes. Strategies have included media campaigns, employing district recruitment liaisons, establishing a toll free number for prospective foster care families and participating in statewide conferences. These strategies have resulted in 945 more licensed foster homes in April 2006 compared to September 2003. Foster homes provide a more family-like environment than congregate settings such as shelters and group homes. Foster care homes are also significantly less expensive than congregate settings. The State pays \$800 to \$900 per child per month for a foster home, compared with as much as \$3,300 per child per month for a group home.

Savings: \$995,600

Methodology: Only FY04 and 05 savings are reported. FY06 savings will be determined by October 1, 2006.

Redeployment: Savings are reinvested to address shortfalls in Children's Services funding.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Health Services (ADHS)

Arizona Genealogy Website

In February 2004, the Arizona Department of Health Services established a new free [genealogy web site](#). This state web site puts more than 400,000 historical Arizona birth and death records at the fingertips of people interested in genealogy, with over 4.1 million successful server requests. This means that more than 4 million visitors have accessed the historical records.

Before the website was available, accessing historical records was cumbersome and costly, requiring manual searches by state Vital Records employees, a \$3 fee per request, and a two- to three-week wait to receive them. There have been more than 3.1 million documents downloaded from this website. If these documents had been requested from the State's Office of Vital Records, it would have cost the public more than \$9 million (\$3 per document). This figure does not include savings to the public in regard to not having to travel to the state Vital Records office to get the document.

Savings: \$13 million

Methodology: Labor savings are calculated based upon the amount of time required to process 3.1 million over the counter requests (20minutes x 3.1 million = 1.03 million hours) multiplied by the average hourly rate of \$13.00.

Redeployment: Savings were used to offset prior year unfunded health and retirement cost increases and to Absorb cost increases of ongoing operations.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Housing (ADOH)

Customer Service Consolidation

From September – December 2006 the Arizona Department of Housing played a concerted effort along with DEMA, ADES, and a myriad of other State agencies in responding to the Governor's *Operation Good Neighbor* – Hurricane Katrina relief efforts. By having all agencies cooperate together as a whole to provide different but necessary services to evacuees from one location, the State's ability to provide quality customer service was enormously enhanced and the cost to individual agencies was reduced significantly. Since the closing of the State's service center for this effort, ADOH has continued to work with ADES and a group of nonprofit organizations to continue to provide consolidated relief assistance to evacuees through the ADES offices on Southern Avenue in Phoenix. Thus, one year after this emergency, the State is still continuing to provide consolidated services to provide the best customer service that it can for this effort.

Savings: \$0 – DEMA may be able to provide cost avoidance estimates. DEMA was the lead agency of the effort.

Methodology: Not provided.

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Insurance (ADOI)

Paperless Licensing

The Department of Insurance worked with the Independent Insurance Agents and Brokers to craft legislation (Laws 2004, Ch. 162, § 3) to allow the Department to issue licenses electronically. Paper license certificates can always be counterfeited, and a paper license certificate becomes outdated as licensee information changes. The Department had already provided public access to online, real-time license information via its Internet web site. The new law simply allows the Department to have this information serve in place of a physical license certificate. ADOI selected this as a top efficiency initiative because although it does not offer the greatest amount of savings of our efficiency initiatives, it is easily to replicate (other agencies could seek similar legislation or legislation could be enacted on a statewide basis) and it promotes consumer protection by ensuring that only up-to-date licensing information constitutes the license.

Savings: \$35,681

Methodology: Savings consists of reduced postage costs (\$0.1300 per license), reduced envelope costs (\$0.0935 per license), reduced staff time (\$0.0646 per license).

Redeployment: Savings were used to offset prior year unfunded health and retirement cost increases and to Absorb cost increases of ongoing operations.

Electronic Non-resident Licensing (eNRL)

The National Insurance Producer Registry (“NIPR”) allows an insurance professional licensed in a “home” state to apply for non-resident licenses in other states with a singular eNRL license application administered over the Internet. The eNRL system validates and transmits application data with fees to state insurance departments for review. Arizona implemented the eNRL system in February 2005. For Arizona, the eNRL system works hand-in-hand with the Department’s Licensing Database to determine whether the applicant qualifies for a license based on the information provided. When grounds exist to deny the application, the eNRL system pends the application and informs the applicant of additional information that must be provided to the Department. When no such grounds exist, the eNRL system passes information to the Department’s Licensing Database, which automatically issues a license after ensuring the data is valid. By making Arizona’s non-resident license application process easier and more accessible, ADOI observed a substantial increase in the number of non-resident license applications received in FY06, resulting in approximately \$110,000 of additional revenue from license fees deposited to the General Fund.

Savings: \$85,725

Methodology: Savings are shown for FY05 and 06.

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Juvenile Correction (ADJC)

Video Conferencing Solution

In FY06, ADJC, as part of a federal Re-Entry pilot program, implemented a video conferencing solution to improve Department communications. This solution connected all of the Department's facilities, Central Office, and the Tucson parole office via video conferencing equipment. The use of this equipment has quickly spread throughout the Department's operations. From parole hearings, to training classes, video conferencing is connecting the Department without the expense of travel or excess of time. Department employees do not need to travel as much for meetings, saving both time and travel expenses. The Department estimates net savings to be approximately 12,000 annually. Although, this amount may appear marginal, the impact video conferencing has made upon the Department is unmistakable. The savings consist of \$35,000 in less travel costs; less for meals, private vehicle reimbursement, and fuel costs. With an additional \$27,000 of staff time savings, time they don not have to waste in transit. Although this savings is in productivity and not tangible dollars, the Department recognizes the productivity impact.

Savings: \$0 – Savings have not yet been realized, but are estimated to be at \$12,000 annually.

Methodology: This \$62,000 of savings is offset by a \$50,000 increase in costs to maintain the system- primarily due to the AZNet MPLS data connections for the system.

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Public Safety (DPS)

Contact Tracking System

In FY05, DPS instituted an optical scanning system to read information from the source documentation (i.e., citation, warning, repair order, etc.) associated with each public contact by an officer. With this system, the Department has realized a cost avoidance of at least \$347,700 in personnel costs by not having to key-in the data.

Savings: \$347,700

Methodology: Not provided.

Redeployment: Not provided.

“Tan Day” Patrols

In order to maximize presence on the highway system, the ADPS has begun to utilize sworn employees who are assigned to administrative positions to assist the Highway Patrol on busy holiday weekends. The administrative employees typically relieve regular officers from non-enforcement actions (motorist assists, minor collisions, etc.). In FY06, an additional 272.6 hours were worked under this program at a cost savings of \$12,200. Cost savings result from not having to pay regular Patrol officers overtime to complete the necessary tasks. The most important aspect of “tan days” is the enhanced public safety fostered by the extra visibility and activity generated by the additional patrols. However, this aspect is difficult to quantify in terms of dollar savings.

Savings: \$12,200

Methodology: Cost savings were estimated using the reduction of overtime expected.

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Real Estate (ADRE)

Traffic Ticket

In FY 2004, the new Commissioner brought an increased emphasis on enforcement. Several areas previously not pursued for violations now became subject to discipline. It quickly became apparent that the increased emphasis on and the expansion of the disciplinary process would overwhelm the Administrative Actions Division's ability to manage the caseload. To facilitate the processing of relatively minor, common, and easily quantifiable violations, the Division developed the Accelerated Settlement Agreement (ASA) in January 2006. This one-page "consent agreement" is provided to licensees who 1) fail to disclose convictions, adverse judgments, or other issues to the Department within 10 days as required; 2) continue to conduct licensed activity after their license expires, 3) conduct illegal advertising; or 4) renew on-line without the proper continuing education courses (false application).

The licensee is told that acceptance of the ASA is voluntary and that they are free to continue through the normal disciplinary process. Over 95% of the licensees presented with the opportunity to accept an ASA do so. This project increased the Department's ability to protect the public through statute enforcement. In only 6 months, the Department completed 191 accelerated settlements and generated \$163,125 in civil penalties for the General Fund and \$670,000 is expected in FY07. The Department does not have enough staff to generate this kind of enforcement through traditional means and would require at least one FTE position, therefore the Accelerated Settlement Agreement program "saved" the General Fund \$215,000 in FY06 (\$163,125 in revenue and \$51,875 in salary/benefits for one FTE).

Savings: \$215,000

Methodology: The Accelerated Settlement Agreement program "saved" the General Fund \$215,000 in FY 2006 (\$163,125 in revenue and \$51,875 in salary/benefits for one FTE).

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Revenue (ADOR)

Plain Talk Project

The Arizona Department of Revenue's (ADOR) mission statement is to administer tax laws fairly and efficiently for the people of Arizona. Part of that efficiency involves communicating clearly with the public. With that in mind, ADOR partnered with representatives from the State of Washington to learn about best practices in their Plain Talk program, which makes letters and publications clear and plain spoken for the public. Washington State representatives shared knowledge of their Plain Talk program with ADOR for free (although Washington paid a consultant for their training) in exchange for a reciprocal agreement from ADOR to share audit information with them. ADOR realized a huge savings in cost avoidance by obtaining the Plain Talk knowledge without having to pay consulting fees.

Washington State employees provided the training to several ADOR employees over the course of two days by coming to Phoenix to share their Plain Talk knowledge. At the end of the training, ADOR employees were able to implement their own Plain Talk program.

Most of ADOR's forms, letters and publications deal with complex taxes and laws. The scope of the Plain Talk project was limited to focus on letters in the first round of Plain Talk to keep it manageable. ADOR identified 114 letters as candidates for Plain Talk revisions since this program began in December 2005. To date, fifteen letters are finalized, eighteen await final revision/approval, and the rest are in the inventory waiting to be drawn upon as time permits.

As an efficiency illustration, a review of eight completed "plain talked" letters shows that on average:

- word counts decreased by 183 words,
- reading ease increased by 10.3%, and
- grade level scales decreased by one grade (from 11th grade to 10th grade levels).

ADOR expects to favorably impact over 206,000 taxpayers who will be receiving these clearer letters in the next fiscal year.

Savings: Not provided.

Methodology: Savings can be attributable to benefits to the public and benefits to ADOR from more timely payments and less questions and concerns being expedited. Dollar savings have not yet been determined.

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Revenue (ADOR), *Continued...*

Income Tax E-File

E-file is a tax-filing program that allows taxpayers to file both federal and state income tax returns at the same time through an electronic, web-based application. The E-file Program provides the taxpayers of Arizona with an efficient alternative to paper filing. E-file is a fast, easy, safe, and proven method of filing Arizona income tax forms. ADOR is proud to have developed good working relationships with the partners and as a result, the e-file program has a strong record of achievement. The entire e-file process cycle, from when a taxpayer's data is submitted to the IRS to when the taxpayer receives their refund or billing notice, averages between five and seven calendar days; as compared to an average six to eight weeks using the paper process cycle. ADOR hit a milestone on August 17, 2005 with the one-millionth e-filed tax return. Ultimately, there were 1,015,548 e-filed returns received by the end of the 2005 tax year. Although the current 2006 tax year will not be over until October 20, 2006, the total count received is 1,124,839 e-filed income tax returns.

Savings: Not provided.

Methodology: Not provided.

Redeployment: Not provided.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Department of Transportation (ADOT)

Bond Refinancing

The State Transportation Board's bonding program is designed to accelerate the construction of critically needed state highway projects. The Board's program is one of the highest rated programs of any state-level highway transportation issuer in the nation. The STB currently has approximately \$1.6 billion of outstanding bonds. ADOT staff manages the Board's bonding program. In order to maintain flexibility and take advantage of potentially lower future interest rates, most STB bond issues are structured with certain "call" provisions. These call provisions allow the Board to advance refund bonds if interest rates fall, thereby allowing the Board to take advantage of lower rates. Using this technique, the Board recently refunded approximately \$150 million of Highway User Revenue bonds. This refunding will save the state \$7,833,066.34 in interest costs over the course of the next seventeen years. Annual savings vary by year, with a low of \$424,443 in FY12, to a high of \$530,741 in FY06.

Savings: \$2.5 million

Methodology: Calculated using actual previous bond information and compared to reissued bond information.

Redeployment: Reverts to State Highway Fund for Reinvestment in new or accelerated highway construction projects.

Arizona Highways Magazine (AHM) Printing Contract

Printing is a major element of AHM's annual expenditures at approximately \$1 million. AHM sent RFPs to 11 vendors and nationally advertised for a new printing contract. Low bids cut \$175,000 from current contract. Additional contract provisions resulted in \$50,000 savings from the remainder of the existing contract and a new contract provision that revises the processing schedule may add an additional \$20,000 in savings.

Savings: \$1.025 million

Methodology: Compared previous contract costs with new contract costs.

Redeployment: AZ Highways is an enterprise operation so the savings will be redeployed to cover increase costs of utilities and other production costs.

Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona Health Care Cost Containment System (AHCCCS)

Outpatient Methodology

On July 1, 2005, AHCCCS implemented a new outpatient hospital fee schedule. This allowed AHCCCS to align outpatient rates with appropriate costs in order to provide more equitable and manageable payments for outpatient services. The new fee schedule is available on the AHCCCS website at www.azahcccs.gov.

- Savings:*** \$61.5 million Total Fund (approximately \$20 million General Fund)
- Methodology:*** Estimates are based on 2003 vs. 2004 drug prices and utilization patterns and on the number of members currently on stepped therapy drugs.
- Redeployment:*** Savings are used to minimize the effects of medical cost inflation on state and federal funds.
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340B Pricing

As a result of a contract awarded in FY06, AHCCCS is able to purchase anti-hemolytic blood factors from a 340B entity for AHCCCS members with bleeding disorders. 340B entity pricing is approximately 20% lower than average net Medicaid pricing based on other drug rebate states.

- Savings:*** \$4.6 million Total Fund (approximately \$1.5 million General Fund)
- Methodology:*** Estimates are based on previous purchase rates of anti-hemolytic blood factors.
- Redeployment:*** Cost avoidances are used to minimize the effects of medical cost inflation on state and federal funds. In addition, figures are reported as total fund dollars, and do not specify General Fund amounts.
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Top Ten Efficiency Review Accomplishments, *Continued...*

Arizona State Parks

Volunteers

Arizona State Parks could not operate its parks without volunteers. To meet revenue estimates, Arizona State Parks is working to increase visitation. With a cap on FTE positions, a goal of increasing volunteer hours by 5% annually will help us manage the increased visitation. A new section has been created from existing staff to facilitate increasing volunteer staff. A volunteer program manual was created to standardize the program and allow the Park Managers to concentrate on volunteer management (recruitment, daily operations, evaluation, training, recognition, dismissal).

Savings: \$3.9 million

Methodology: Over 175,000 hours of volunteer time is equal to 85 full-time employees or annual savings \$3.9 million.

Redeployment: Not provided.

Staff Use of Park Facilities

Due to the remoteness of some of our parks, several employees have opted to camp at the park as opposed to traveling to a hotel. With the addition of cabins and other park facilities, more employees are opting to stay at the parks and reduce their in-state travel costs. Even Board members are scheduling overnight meetings at parks with facilities, such as Tonto Natural Bridge State Park. Since tracking this initiative in FY05, over 456 nights have been stayed at park facilities.

Savings: \$27,000

Methodology: Estimated savings for reduced travel costs.

Redeployment: Not provided.
